

Message Text

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PAGE 01 BRIDGE 01711 091759Z

42

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 CIAE-00 INR-07

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FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC 1402

INFO AMEMBASSY CARACAS

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CARACAS FOR LEGAL ATTACHE

E.O. 11652: N/A

TAGS: EFIN,GJ

SUBJ: US BANK CLOSURES IN GRENADA

1. ON SEPTEMBER 1 THE MANAGER OF THE CHASE MANHATTAN BANK BRANCH IN GRENADA INFORMED THE GRENADIAN GOVT THAT IT WAS CLOSING EFFECTIVE SEPTEMBER 17. THE BRANCH'S ASSETS AND LIABILITIES ARE BEING SOLD TO A CANADIAN BANK.

2. THE AFFECTED BANK MANAGER TOLD AN EMBOFF BY PHONE THAT THE GOG WAS CAUGHT BY SURPRISE AND THAT HE EXPECTED PRIMIN GAIRY TO BE ANGERED BY CHASE'S DECISION. (THE CHASE MANAGER TOLD US TWO WEEKS AGO THAT THE CLOSURE HAD BEEN DECIDED ON BUT HE DECLINED TO SAY WHEN IT WAS TO BE ANNOUNCED.)

3. CHASE'S MOVE COMES IN THE WAKE OF TWO RECENT INCIDENTS INVOLVING BANKS AND BANKERS: THE BANK OF NOVA SCOTIA MANAGER WAS RECENTLY DEPORTED FOR PUBLICALLY CRITICIZING THE GOG AND A GERMAN NATIONAL (FNU JAEGER) INVOLVED WITH A PAPER SHELL BANK (1ST NAT'L CITY BANK AND TRUST OF GRENADA) OF DUBIOUS REPUTATION WAS PLACED UNDER HOUSE ARREST BUT LATER ESCAPED FROM THE ISLAND BY BOAT AFTER PLYING HIS POLICE GUARDS WITH LARGE
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PAGE 02 BRIDGE 01711 091759Z

QUANTITIES OF RUM.

4. CHASE, ACCORDING TO ITS MANAGER, PULLED OUT FOR THREE REASONS: (A) THEY WERE LOSING MONEY; (B) THEY WERE WORRIED ABOUT GAIRY'S CONDUCT IN GENERAL AND WITH REGARD TO BANKS IN PARTICULAR AND (C) THEY SEE NO HOPE FOR THE ISLAND'S ECONOMY.

5. COMMENT: CHASE MADE A WISE DECISION. RAPIDLY EXHAUSTING OTHER SOURCES, GAIRY HAS BEEN PUTTING PRESSURE ON THE COMMERCIAL BANKS TO KEEP THE GOG FINANCIALLY AFLOAT. AT SOME POINT THE OTHERS -- ALL BRITISH OR CANADIAN OWNED -- MAY, LIKE CHASE, BAIL OUT. SCOTIA BANK IS REPORTEDLY THE NEXT IN LINE. BRITTON

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